



Economic Development Administration

Mission Statement

Help our partners across the nation (states, regions, and communities) create wealth and minimize poverty by promoting a favorable business environment to attract private capital investment and higher-skill, higher-wage jobs through world-class capacity building, planning, infrastructure, research grants, and strategic initiatives.

Economic development supports two important public policy objectives: creating wealth and minimizing poverty. The creation of wealth enables people to become economically self-sufficient and provides the resources needed for building safe, healthy, convenient, and attractive communities in which people want to live, work, and raise their families. Minimizing poverty is important because poverty is not only dehumanizing, but it is also extremely costly in terms of underutilized human resources, welfare transfer payments, soaring public healthcare costs, high crime rates, and declining neighborhoods that lose their value. Thus, the public sector has a legitimate interest in supporting efforts and strategies that bring economic opportunity to all segments of our society.

The role of the public sector should be to leverage resources to create an environment in which the private sector will risk capital investment. The mission statement of the Economic Development Administration (EDA) clearly articulates that creating such an environment is EDA's role. To accomplish this mission, EDA must change from a culture of compliance to a culture of performance. EDA will be transformed from a mere processor of grants (funder) to a public sector venture capital investor.

EDA has established new guidelines that focus on results rather than processes. Application of these guidelines will encourage investment in America's communities based on risk and expected return on the taxpayer's investment. The bureau will focus on outcomes such as value-added employment and private sector investment to stabilize and diversify local economies and generate future growth in distressed communities. Value-added employment includes jobs that offer higher wages and skill levels to attract and retain skilled workers. EDA's investments aim to attract private sector investment, have a high probability of success, and ultimately result in an environment where higher-skill, higher-wage jobs are created.

EDA's strategic investments in public infrastructure and local capital markets provide lasting benefits for economically disadvantaged areas. Acting as catalysts to mobilize public and private investments, EDA's investments address problems of high unemployment, low per capita income, and other forms of severe economic distress in local communities. EDA also provides special economic adjustment assistance to help communities and businesses respond to major layoffs, plant shutdowns, trade impacts, natural disasters, military facility closures, and other severe economic dislocations. Through its investments, EDA will contribute to the Administration's goal of leaving no geographic area or demographic sector of our nation behind in achieving the American dream.

Priorities

EDA has identified three “pillars of reform” for FY 2003 that will provide the vehicle to transform EDA into a results-oriented agency.

Pillar I – Organizational Management Initiatives

Alignment of Resources--Ensure maximum alignment of existing financial and human resources to accomplish our mission through restructuring and effective deployment of resources.

Management Process--Develop standard operating procedures at headquarters to reduce inefficiencies and duplication of efforts. Identify best practices in our regional offices, implement standard operating procedures among the regions, articulate clear investment policy guidelines to ensure due diligence on the front end, and require rigorous post-approval monitoring to ensure the maximum return on taxpayer investment. Implement process improvements through the electronic investments component of the Economic Development Communications and Operations Management System.

Competency-based Human Resource System--Build the foundation of a competency-based human resource system through rigorous personnel performance reviews, clear performance plans that set high standards, and recruitment and training strategies to provide necessary skills.

Pillar II – Performance Measures

Balanced scorecard--The second pillar is based on performance measures. EDA has invested in training for all managers and supervisors on the balanced scorecard management approach. A priority for this fiscal year is the development and implementation of an EDA balanced scorecard. With the implementation of the balanced scorecard, EDA will translate its strategic vision into action. The balanced scorecard is a value-added management process that provides the critical means for getting from the vision to execution. This continual process, which evolves with use and experience, tracks both financial and nonfinancial areas of organizational performance.

Outcome Funding--EDA is moving forward with the implementation of outcome funding for its grant programs. In addition, EDA has issued and implemented policy for investment guidelines. Investments will be based on risk and expected return and will focus on outcomes such as leveraging private sector and local dollars and attracting higher-skill, higher-wage jobs.

Outcome-oriented Performance Measures--For FY 2003, EDA has developed new outcome performance measures for its capacity-building programs and discontinued some interim and process measures. To use the Government Performance and Results Act (GPRA) and its intent to enhance performance, EDA determined that certain interim and process measures focused on process rather than program performance. The new outcome-oriented measures are better indicators of the taxpayer and EDA's return on investment and compliment EDA's new policy investment guidelines. The new measures are also clearly tied to EDA's annual budget request and appropriation.

Pillar III – Congressional and Public Affairs

Congressional and Public Affairs--To communicate with key stakeholders and customers in a compelling, multi-faceted way, EDA will enhance and strengthen congressional, state, and local government affairs and public and media relations. In support of the Administration's goal to leave no geographic or demographic sector of our nation behind, EDA will broaden its reach to America's communities and create vital partnerships to strengthen those areas in distress.

Economic Development Communications and Operations Management System--Implementation of the Economic Development Information Clearinghouse component of the Economic Development Communications and Operations Management System will expand and enhance EDA's communication of best practices in the field of economic development, information on developing trends and issues, technical advice, and the success stories of EDA's investments through the worldwide web.

The execution of the three pillars of EDA reform will enable EDA to effectively implement its mission and move from a culture of compliance to a culture of performance. These pillars will shift EDA from being a processor of grants to being an investor. Recognizing EDA as an investor emphasizes its new policy investment guides. An investor makes critical funding decisions based on the same criteria as EDA's investment guidelines; the investment must be proactive and market-based, anticipate economic changes, and diversify the local and regional economy. The investor reviews the portfolio as a whole, with a focus that potential investments must show they will maximize private sector investment and Return on Taxpayer Investment, as well as have a high probability of success. To this end, EDA will act as a public sector venture capital firm with an accent and focus on results.

Investment Strategies

Integration of mission, organization, budget, and performance form the basic loop that drives success. EDA has re-established its strategic context and focus by reaffirming the mission and vision of the bureau. The activities that EDA undertakes with public dollars will demonstrate a return on investment through measurable, quantifiable performance measures. To achieve such a return on investment, we are looking for partners willing to work hand in hand to ensure the success of their ventures. As a public investment capital firm, EDA must evolve with the times. To not do so is to shortchange the American people.

While successful economic development projects attract private sector capital investment and create value-added jobs, these ventures are also beneficial for local communities and government at all levels. By investing in successful undertakings, creating jobs, and expanding the economy, the demand for government expenditures for social services decrease while tax revenues increase.

To this end, EDA will invest in applicants who are entrepreneurial in spirit and in action. In a general sense, potential investments will be analyzed based on the following seven criteria:

- The proposed investments are market-based.
- The proposed investments are proactive in nature and scope.
- The proposed investments look beyond the immediate economic horizon, anticipate economic changes, and diversify the local regional economy.
- The proposed investments maximize the attraction of private sector investment and would not otherwise come to fruition absent EDA's investment.
- The proposed investments have a high probability of success.
- The proposed investments result in an environment where higher-skill, higher-wage jobs are created.
- The proposed investments maximize Return on Taxpayer Investment.

EDA looks for investments that will generate significant returns for many years. One such investment was a \$1.6 million grant to South Texas Community College. Recognizing an opportunity to capitalize on the tremendous growth in the health care industry, the community college used EDA's investment to build a Nursing and Allied Health Care Center. Now graduates are entering careers in emergency technology, health information technology, nursing, medical information, occupational therapy, patient care, physical therapy, and radiology. This investment demonstrates how EDA can net tremendous returns in terms of increased wealth and opportunities for individuals who face

tremendous odds. For example, when a student entered the program he was making minimum wage in the food service industry. After receiving his occupational therapy license, however, he had a career and got a job earning \$41,000 a year.

Another example of EDA investment that has brought clear benefits to the public is evident in the former Fitzsimons Army Medical Center in Colorado, which was affected by the Base Realignment and Closure (BRAC). For this project, EDA provided investments totaling \$9.4 million to jumpstart redevelopment efforts. A fundamental goal was to replace the 4,000 jobs and \$192 million in annual expenditures lost to the Aurora community as quickly as possible. With EDA's assistance, the site is being transformed into a new employment center with 25,000 jobs anchored by a new medical campus for the University of Colorado and a 160-acre bioscience research and development park. The bioscience park is the first of its kind west of the Mississippi. At this point, the new work force already exceeds 2,000, with projected full replacement of jobs lost by 2004. More than \$500 million in construction is completed or underway, and ten biotechnology companies have already located to Fitzsimons. Major private investments include a \$55 million gift from the Anschutz Foundation for a clinical complex and \$18 million in venture capital for the largest biotech company in the EDA-funded biotech incubator on the site. Total private investment to date is estimated to be well over \$100 million.

Investment Eligibility

EDA's eligibility requirements are established by the Public Works and Economic Development Act of 1965, as amended. This legislation specifically defines eligible recipients. EDA identifies eligible recipients as "distressed communities" that are rural and urban communities that are experiencing severe economic distress in the form of high unemployment, low per capita income, and other conditions of economic distress, including sudden economic dislocations due to industrial restructuring and relocations or natural disasters.

EDA uses statistics from the Bureau of Economic Analysis (BEA) for per capita income data and the Bureau of Labor Statistics (BLS) for 24-month unemployment data to determine distress conditions nationwide. BEA provides annual updates of per capita income at the county and state levels. BLS provides quarterly updates on unemployment statistics at the county, city, and metropolitan statistical area (MSA) levels. EDA also provides assistance in "pockets of distress," which are small areas defined without regard to geographical or political boundaries (for example, city, county, and Indian reservation) that are experiencing economic distress even though it may be part of a larger community. The project area must be of appropriate size to the proposed project, and the applicant must justify the proposed boundaries in relation to the project's benefits to the area. Each applicant's distress eligibility is verified at the time the proposal is received.

Accessible databases on labor economic statistics, federal or otherwise, are sorely limited, making the actual number of distressed communities difficult to ascertain. EDA's existing management information system tracks data on the city, county, and state levels. Accessible databases track economic or labor statistics on the MSA, county, and state levels. Many of the rural areas that EDA serves suffer from extreme economic distress, but do not show up on labor economic databases due to their relatively small size. A community may qualify for EDA assistance using other distress data from sources such as the Bureau of Indian Affairs, state, or specific census tracts, all of which is verified by EDA prior to investment.

Based on current per capita income or unemployment data, approximately 2,110 counties are eligible for EDA assistance. In FY 2001, EDA invested in 584 distressed counties nationwide. In addition, EDA made 374 investments under its Partnership Planning program to Economic Development Districts; 107 investments under its Technical Assistance program, a portion of which went to 69 University Centers; 49 investments under its Short-term Planning program; and 12 investments for

Trade Adjustment Assistance Centers. These capacity-building programs serve multi-county areas where significant portions of the service area are distressed. Because distress data are not available for multi-county areas, small rural areas, or Puerto Rico, they do not correlate with EDA's existing management information system.

To determine a community's eligibility for investment per EDA's legislation, the agency relies upon two primary measures of distress. One measure is per capita income; to qualify as a distressed community, the community's average per capita income must register as 80% or less of the national per capita income average. The other primary measure is the 24-month unemployment rate, which must be at least one point higher than the national average. Communities or areas may also qualify based on special needs arising from actual or threatened severe unemployment or economic adjustment problems, for example:

- Closure or restructuring of industrial firms essential to area economies
- Military base closures or realignments, defense contractor reductions-in-force, Department of Energy defense-related funding reductions
- Natural or other major disasters or emergencies, that is, Presidential Disaster Declarations, federally declared disasters, and federal declarations of major disasters or emergencies
- Extraordinary depletion of natural resources, that is, fisheries, coal, and timber
- Substantial outmigration or population loss
- Underemployment
- Destructive impacts of foreign trade
- Other special needs in areas experiencing extraordinary economic adjustment assistance needs as determined by the Assistant Secretary, such as authorizing an entire district as eligible for assistance to develop a regional disaster mitigation plan instead of only those counties that had been affected by the disaster, or providing assistance in a small town where a fire had devastated its entire downtown business district.

Summary of Infrastructure Investment Data for FY 2001

Total Infrastructure Investments	538	\$402 M
Percentage of EDA Infrastructure Investments in Distressed Counties ¹	75.28%	\$293 M
Percentage of EDA Infrastructure Investments in Distressed Communities Located in Nondistressed Counties ²	24.72%	\$109 M

¹ A distressed county is determined by EDA's eligibility definition using the most recent per capita income figures or the most recent unemployment rate for the county. EDA's eligibility definition is based on per capita income of 80% or less of the national average; an unemployment rate that is, for the most recent 24-month period, at least 1% greater than the national average unemployment rate; or special need arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short-term or long-term changes in economic conditions.

² A distressed community in a nondistressed county is also determined by EDA's eligibility definition. Cities, towns, Indian tribes, census tracts, and subdivisions can qualify for assistance if they meet the eligibility definition although the entire county does not qualify.

County Investment Data for FY 2001

Total Counties in Nation	3,181
Total Distressed Counties (according to 24-month unemployment and per capita income statistics)	2,110
Percentage of Distressed Counties Receiving EDA Investments	14.4%

FY 2003 Program Changes

	Base		Increase/Decrease	
	FTE	Base	FTE	Base
Economic Development Assistance Programs	0	\$335,000	0	-\$17,765

A net decrease of -\$17,765 is requested for the Economic Development Assistance Programs (EDAP). An increase of +\$2,500 is requested for the Trade Adjustment Assistance Program (TAA), and decreases are requested for Public Works (-\$17,900), Planning (-\$1,700), and Technical Assistance (-\$665). The increase for TAA will be used to fund the implementation of technical assistance tasks for certified trade injured firms with approved adjustments proposals. Offsetting the increase are reductions spread across three program areas allowing EDA to effectively target available resources, while continuing to deliver economic assistance to distressed communities.

Targets and Performance Summary

(See individual Performance Goal section for further description of each measure)

Performance Goal 1: Promote private enterprise and job creation in economically distressed communities							
Program Outcome Measures (long-term)	FY 1999	FY 2000	FY 2000	FY 2001	FY 2001	FY 2002	FY 2003
	Target	Target	Actual (for FY 1997 Target)	Target	Actual (for FY 1998 Targets)	Target	Target
Private Sector Dollars Invested in Distressed Communities as a Result of EDA Investments	420 M by FY 2002	400 M by FY 2003	199 M ¹	480 M by FY 2004	971 M ³	390 M by FY 2005	360 M by FY 2006
	1,040 M by FY 2005	1,020 M by FY 2006		1,200 M by FY 2007		970 M by FY 2008	910 M by FY 2009
	2,080 M by FY 2008	2,040 M by FY 2009		2,410 M by FY 2010		1,940 M by FY 2011	1,810 M by FY 2012
Jobs Created or Retained in Distressed Communities as a Result of EDA Investments	11,300 by FY 2002	11,300 by FY 2003	12,056 jobs ²	14,400 by FY 2004	12,898 jobs ⁴	11,500 by FY 2005	10,500 by FY 2006
	28,400 by FY 2005	28,200 by FY 2006		36,000 by FY 2007		28,900 by FY 2008	26,300 by FY 2009
	56,900 by FY 2008	56,500 by FY 2009		72,000 by FY 2010		57,800 by FY 2011	52,700 by FY 2012

Performance Goal 1: Promote private enterprise and job creation in economically distressed communities								
Interim and Process Measures	FY 1999	FY 1999	FY 2000	FY 2000	FY 2001	FY 2001	FY 2002	FY 2003
	Target	Actual	Target	Actual	Target	Actual	Target	Target
State and Local Dollars Committed/EDA Dollar	\$0.7 - \$ 1	\$1.2 - \$1	\$0.7 - \$ 1	\$1.2 - \$1	\$1 - \$1	\$1 - \$1	\$1 - \$1	\$1 - \$1
Percentage of Investments to Areas of Highest Distress	20%	36%	30%	45%	40%	43%	40%	40%
New Interim Measure								
Percentage of EDA Dollars Invested in Technology-related Projects in Distressed Areas	New	New	New	New	Baseline Established	N/A	10%	10%

- 1 Actual private sector dollars amount - Performance exceeds the FY 1997 projected target of \$116 million by FY 2000. (snapshot of performance for first reporting interval for FY 1997 investments)
- 2 Actual job - Performance exceeds the FY 1997 projected target of 5,040 jobs by FY 2000. (snapshot of performance at first reporting interval for FY 1997 investments)
- 3 Actual amount - Performance exceeds the FY 1998 projected target of \$130 million by FY 2001. (snapshot of performance for first reporting interval for FY 1998 investments)
- 4 Actual job - Performance exceeds the FY 1998 target of 5,400 jobs by FY 2001. (snapshot of performance at first reporting interval for FY 1998 investments)

Goal 1 includes program activities authorized by the Public Works and Economic Development Act of 1965, as amended, section 201 (public works and development facilities investments) and section 209 (economic adjustment infrastructure and revolving loan investments). The Public Works program promotes long-range economic development in distressed areas by providing investments for vital public infrastructure and development facilities. These critical investments enable communities to attract new, or support existing, businesses that will generate new jobs and income for unemployed and underemployed residents. Among the types of projects funded are water; sewer; fiberoptics; access roads; and facilities such as industrial and business parks, business incubator and skill training facilities, and port improvements.

include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural disasters, natural resource depletion, outmigration, underemployment, or destructive impacts of foreign trade.

Through the Defense Economic Adjustment program (section 209), EDA, working with the Department of Defense Office of Economic Adjustment, assists communities that have been impacted by military base closures or reduction in defense contracting to rebuild and diversify their local economies. The development of new markets for defense-related technologies, products, and services helps the community move toward sustainable growth and greater prosperity through strategic planning and investments.

EDA performance targets for long-term program outcomes are based on nine-year projections for private dollars invested and jobs created. Performance data are obtained at three-year intervals to provide snapshots of current progress in achieving the full, nine-year performance projection. FY 2000 was the first year for which data are available on long-term outcomes. Actual performance exceeds the FY 2001 target for FY 1998 investments, indicating significant progress toward achieving the full nine-year projection of 54,000 permanent jobs by 2007. (See performance goal 1 measures.)

According to the performance evaluation of EDA's public works program (Rutgers et al. 1997), the investments "produce jobs, usually in increasing amounts, after project completion." The study found that "direct jobs six years after completion (nine years after investment award) are, on average, twice those found at completion." Because most investments are completed an average of three years after award, EDA monitors performance results at three, six, and nine years after investment award.

Performance Goal 2: Build community capacity to achieve and sustain economic growth								
Program Outcome Measures	FY 1999 Target	FY 1999 Actual	FY 2000 Target	FY 2000 Actual	FY 2001 Target	FY 2001 Actual	FY 2002 Target	FY 2003 Target
Percentage of Economic Development Districts and Indian Tribes Implementing Economic Development Projects from the Comprehensive Economic Development Strategy Process that Lead to Private Investment and Jobs	New	TBD ¹						
Percentage of Sub-state Jurisdiction Members Actively Participating in the Economic Development District Program	New	New	75%	95%	85%	92%	93%	93%
Percentage of University Center Clients Taking Action as a Result of the Assistance Facilitated by the University Center	New	TBD ¹						
Percentage of Those Actions Taken by University Center Clients that Achieved the Expected Results	New	TBD ¹						
Percentage of Trade Adjustment Assistance Center Clients Taking Action as a Result of the Assistance Facilitated by the Trade Adjustment Assistance Center	New	TBD ¹						
Percentage of Those Actions Taken by Trade Adjustment Assistance Center Clients that Achieved the Expected Results	New	TBD ¹						
Interim and Process Measure								
Percentage of Local Technical Assistance and Economic Adjustment Strategy Investments Awarded in Areas of Highest Distress	20%	31%	25%	35%	30%	32%	30%	30%

¹ EDA will establish targets in FY 2003 upon completion of the baseline analyses of FY 2001 and 2002 data for these measures at the end of 2002.

Goal 2 includes program activities authorized by Public Works and Economic Development Act sections 203 and 206 (planning investments to Economic Development Districts, Indian tribes, and other planning organizations); section 207 (technical assistance investments to University Centers, local and national technical assistance, research and evaluation); and section 209 (economic adjustment strategy investments only). Performance measures for trade adjustment assistance to firms authorized by the Trade Act of 1974, as amended, are also included under this goal.

The Partnership Planning program (section 203) is the cornerstone to effective economic and sustainable development. EDA's approach is to support local planning and long-term partnerships

with state and regional organizations that can assist distressed communities with strategic planning and investment activities. The program helps local communities set priorities, determine the viability of projects, leverage resources to improve the local economy, and sustain long-term economic growth. Evaluations of EDA's public works and defense adjustment programs show that EDA planning and technical assistance programs play a significant role in the successful completion and outcomes of its infrastructure and revolving loan fund projects.

The Economic Adjustment Assistance program (section 209) provides flexible investments to develop economic adjustment strategies for communities facing sudden or severe economic distress. Factors that seriously threaten the economic survival of local communities include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural disasters, natural resource depletion, outmigration, underemployment, or destructive effects of foreign trade.

EDA's Technical Assistance program (section 207) has three major components. The Local Technical Assistance program supports community leaders by providing technical expertise to assess local development issues and realistic, market-based solutions; feasibility studies; specialized engineering and environmental services; and other special services. The University Center program is a partnership that draws on the expertise of colleges and universities to strengthen distressed communities by providing access to current economic data, technical knowledge, analytical skills, manpower, and other resources. The National Technical Assistance program disseminates timely economic development resources, tools, and information critical for economic development professionals responding to economic changes in communities.

The Research and Evaluation program (section 207) recognizes that knowledge-based programs are central to EDA's ability to respond effectively to the changing circumstances of economic development. Assessing new opportunities and initiatives, Research and Evaluation provides the vital economic information for national and local economic development practitioner and provides data critical to EDA's ability to evaluate program implementation, adapt to changing needs and priorities, and measure performance.

The Trade Adjustment Assistance program, authorized under the Trade Act of 1974, helps U.S. firms and industries injured as the result of trade agreements. The program has received increased attention with each new round of trade agreements that lower trade barriers and increase foreign competition for U.S. manufacturers.

Resource Requirements

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Promote private enterprise and job creation in economically distressed communities							
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Increase/	FY 2003
	Actual	Actual	Actual	Available	Base	Decrease	Request
Salaries and Expenses	15.5	17.2	18.7	21.4	21.2	0.0	21.2
Economic Development Assistance Programs							
Public Works	205.7	204.5	285.3	250.8	250.0	-17.9	232.1
Economic Adjustment	91.8	90.3	58.3	27.0	27.0	0.0	27.0
Total Funding ¹	313.0	312.0	362.3	299.2	298.2	-17.9	280.3
IT Funding ²	1.7	1.2	0.9	0.8	1.9	0.0	1.9
FTE	170	174	165	180	180	0	180

Performance Goal 2: Build community capacity to achieve and sustain growth							
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Increase/	FY 2003
	Actual	Actual	Actual	Available	Base	Decrease	Request
Salaries and Expenses	8.3	9.3	10.0	11.5	11.5	0.0	11.5
Economic Development Assistance Programs							
Planning	23.9	23.9	24.0	24.0	24.0	-1.7	22.3
Technical Assistance	9.6	9.2	9.2	9.2	9.1	-0.7	8.4
Research and Evaluation	0.5	0.5	0.5	0.5	0.5	0.0	0.5
Trade Adjustment Assistance	9.5	10.5	10.5	10.5	10.5	2.5	13.0
Economic Adjustment	26.2	20.6	22.5	13.9	13.9	0.0	13.9
Total Funding	78.0	74.0	76.7	69.6	69.5	0.1	69.6
IT Funding	1.0	0.7	0.5	0.5	1.0	0.0	1.0
FTE	92	94	89	90	90	0	90

Grand Total							
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Increase/	FY 2003
	Actual	Actual	Actual	Available	Base	Decrease	Request
Salaries and Expenses	23.8	26.5	28.7	32.9	32.7	0.0	32.7
Economic Development Assistance Programs	267.2	359.5	410.3	335.9	335.0	-17.8	317.2
Total Funding	391.0	386.0	439.0	368.8	367.7	-17.8	349.9
Direct	391.0	386.0	439.0	368.8	367.7	-17.8	349.9
Reimbursable ³	0.0	0.0	0	0.0	0.0	0.0	0.0
IT Funding	2.7	1.9	1.4	1.3	2.9	0.0	2.9
FTE	262	268	254	270	270	0	270

1 Total funding includes program dollars, salaries, and expenses. It also reflects direct obligations. It does not include one-time, disaster investments.

2 IT funding included in total funding.

3 EDA receives reimbursable funding that is variable in nature from year-to-year. Therefore, reimbursable resources are not factored into the performance goals and are not included in total funding or FTEs.

Skill Summary

Economic development policy and planning; community outreach and project development; program and project management; civil rights; engineering; environmental, legal, and financial management; research and evaluation; program and management analysis; investments management and general administration.

FY 2003 Performance Goals

Performance Goal 1:

Promote Private Enterprise and Job Creation in Economically Distressed Communities

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably

Rationale for Performance Goal

The Economic Development Administration (EDA) fosters a favorable environment for the private sector to risk capital investment to produce goods and services and increase productivity, thereby providing the higher-skill, higher-wage jobs that offer opportunity for all Americans. Whatever activities EDA undertakes with public dollars must demonstrate return on investment through measurable, quantifiable performance measures.

While successful economic development projects attract private sector capital investment and create value-added jobs, they are also beneficial for local communities and government at all levels. By investing in successful undertakings, creating jobs, and expanding the economy, the demand for government expenditures for social services decrease while tax revenues increase.

The creation of wealth enables people to be economically self-sufficient and provides the resources needed for building safe, healthy, convenient, and attractive communities in which people want to live, work, and raise their families. Minimizing poverty is important because poverty is not only dehumanizing, but it is also extremely costly in terms of underutilized human resources, welfare transfer payments, soaring public healthcare costs, high crime rates, and declining neighborhoods that lose their value. Thus, the public sector has a legitimate interest in supporting efforts and strategies to bring economic opportunity to all segments of our society.

EDA's investment guidelines set standards to achieve its performance goals of promoting private investment and job creation in distressed communities. Potential investments must be market-based and proactive; maximize private capital investment; create higher-skill, higher-wage jobs; and offer a positive return on the taxpayer's investment.

Within the framework of this goal, EDA focuses on two of its programs, the public works and development facilities and the economic adjustment program. EDA investments in public works and development facilities serve as catalysts for other public and private investments for the establishment or expansion of commercial and industrial facilities in distressed communities. EDA also provides economic adjustment investments for infrastructure improvements and revolving loan funds to help communities and businesses respond to severe economic dislocations caused by major layoffs, plant shutdowns, trade impacts, natural disasters, and the closure of military bases and energy labs, and similar actions that adversely affect local economies.

EDA's Ongoing Performance Measurement System

EDA established an ongoing reporting system, beginning with FY 1997 grant awards, to track long-term program outcomes for private investments and job creation in distressed communities. EDA collects data (snapshots of actual performance) at three-year intervals for up to nine years following the award of the grant. This system will enable EDA to develop a database with multi-year trend data on private investments and job creation by EDA investments. FY 2000 was the first year in which data became available under the system, representing the reporting interval for FY 1997 public works investments.

Adjustments to FY 1997 and FY 1998 Performance Targets

Early projections for FY 1997 and FY 1998 performance included both direct and indirect jobs for EDA public works projects. In response to General Accounting Office (GAO) report RCED-99-11R, job targets were adjusted to exclude indirect jobs. This downward adjustment was largely offset when EDA began setting job targets for economic adjustment construction and revolving loan fund projects. Projections are now based on direct jobs only, resulting in conservative targets and reporting standards (beginning with FY 1999 awards). EDA continues to review and refine performance measures and targets in consultation with Congress, GAO, the Office of Management and Budget, and other bureau stakeholders and will adjust targets as appropriate when adequate trend data becomes available.

Data on Past Performance

To provide complete information on long-term outcomes (that is, private investment and job creation), EDA includes data on past performance for two sets of construction projects that have reached the final reporting interval. Data are also provided for two sets of revolving loan fund investments. Both the two sets of construction projects and the two sets of revolving loan fund data involve projects that were approved prior to FY 1997, and provide the only long-term final outcome data available at this time. Once final outcome data has been reported for those projects awarded in FY 1997 or later, we will discontinue reporting data prior to FY 1997. Trend data is based on formulas developed from the performance evaluations and is available on two sets of projects:

- **Baseline projects**--The *Public Works Program: Performance Evaluation* (May 1997) reported on 205 public works projects that were completed in FY 1990. The *Defense Adjustment Program Performance Evaluation* (Nov. 1997) provided similar data for EDA defense projects ranging from two to five years in age.
- **Pilot projects**--EDA conducted pilot reviews during FY 1999 to obtain actual data on a second set of projects. *EDA GPRA Pilot I: Construction Projects* (Rutgers 1999) shows results for 58 construction projects, six years after project completion (FY 1993). *EDA GPRA Pilot II: Revolving Loan Fund Projects* (Rutgers 1999) shows results for 44 revolving loan fund projects, six years after approval (FY 1993).

The following tables compare actual results from the pilot projects with the results from baseline projects as presented by Rutgers et al. (Note: 1997 dollars have not been converted to 1999 dollars.)

EDA Construction Projects

	GPRA Pilot I Results (1999)	Public Works Evaluation (1997)
Creation of Permanent Jobs	100%	96.1%
Leveraged Private Sector Investment	98%	84%
EDA Job Cost Ratios	\$3,445/Job	\$3,058/Job
Private Sector Investment	5.62 M/M of EDA Funding	10.08 M/M of EDA Funding

EDA Revolving Loan Fund Projects

	GPRA Pilot II Results (1999)	Defense Adjustment evaluation (1997)
Creation of Permanent Jobs ¹	95%	96.1%
Leveraged Private Sector Investment	95%	N/A
EDA Job Cost Ratios	\$4,107/Job	\$3,747/Job
Private Sector Investment	6.25 M/M of EDA Funding	2.67 M/M of EDA Funding

¹ Permanent jobs are those jobs not designated as temporary positions.

Validation and Verification

The EDA GPRA pilots provided trend data on past performance, as presented above. They also provided critical outreach and training for EDA grantees and staff on valid reporting methods and verification of performance data on long-term outcomes. EDA achieved a 98% response rate on the FY 1999 pilots and conducted site visits to more than 25% of the projects to validate and verify data reported. The data was provided to Rutgers University for review and comparison with the original evaluations.

EDA validated some of the FY 1998 performance results on private sector investment and job creation upon receipt of the data. Regional offices verified 93% of the total public works private sector investment and 44% of the total public works jobs reported in FY 2001 by contacting investment recipients, consulting with EDA project engineers or project officers who have been on site, and reviewing project files and subsequent reports. Reports were completed that identified how the data was verified and the person or business contacted to verify the data.

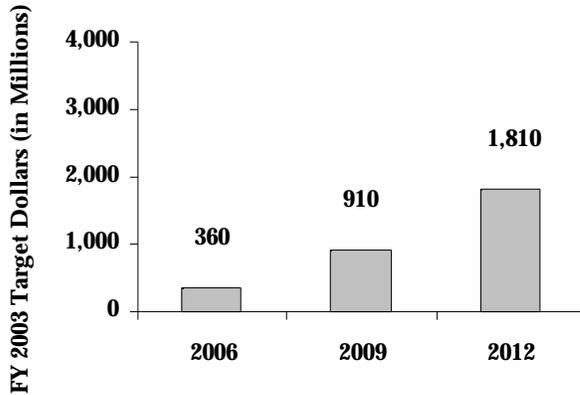
EDA will also conduct on-site reviews of some of its investments to validate and verify the performance data. EDA provides guidance on reporting requirements to its grantees. As EDA collects and analyzes the data, EDA will use it to adjust performance targets as needed.

Interim and Process Measures

In response to GAO recommendations, EDA developed a set of interim and process measures that can be used by EDA managers on a regular basis to set targets and track performance in critical program areas. These measures were introduced in FY 1999 and FY 2000. Policies and procedures are in place to obtain data on key performance indicators identified by program managers. Preliminary data are available for FY 2000 interim and process measures under Goal 1 and 2. EDA will report final results when data review and verification is complete. For FY 2002, EDA developed a new interim measure on technology-related projects to support the Department of Commerce strategic plan. EDA established a baseline and set a target for this measure in FY 2002.

EDA will discontinue reporting on certain interim and process measures in FY 2002. These measures, developed in response to GAO’s 1999 recommendations, provide reportable performance data pending the receipt of the long-term results on private investment and job creation of EDA grant awards. EDA is now reporting on those long-term results. As part of the balanced scorecard and to ensure the agency’s commitment to quality customer service, EDA will continue to track these measures.

Measure 1a: Private Sector Dollars Invested in Distressed Communities as a Result of EDA Investments



Data Validation and Verification:

Data source: Investment Recipient performance reports
Frequency: At three-year intervals (typically three, six, and nine years after investment award)
Data storage: EDA Management Information System
Verification: To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA will perform regional validation on-site visit with some recipients.
Data limitations: Universe - FY 1998 Regular Appropriation for Public Works and Development Facilities investments only. Private investment may vary along with economic cycles.
Actions to be taken: EDA will continue monitoring investment data.

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	\$116M by FY 2000	\$130M by FY 2001	\$420M by FY 2002	\$400M by FY 2003	\$480M by FY 2004	\$390M by FY 2005	\$360M by FY 2006
	\$581M by FY 2003	\$650M by FY 2004	\$1,040M by FY 2005	\$1,020M by FY 2006	\$1,200M by FY 2007	\$970M by FY 2008	\$910M by FY 2009
	\$1,162M by FY 2006	\$1,300M by FY 2007	\$2,080M by FY 2008	\$2,040M by FY 2009	\$2,410M by FY 2010	\$1,940M by FY 2011	\$1,810M by FY 2012
Actual				\$199M ¹	\$971M ²		
Met/Not Met				Met	Met		

- 1 Actual private sector dollars amount—Performance exceeds the FY 1997 projected target of \$116M by FY 2000 (snapshot of performance for first reporting interval for FY 1997 investments).
- 2 Actual private sector dollars amount—Performance exceeds the FY 1998 projected target of \$130M by FY 2001 (snapshot of performance for first reporting interval for FY 1998 investments).

Explanation of Measure

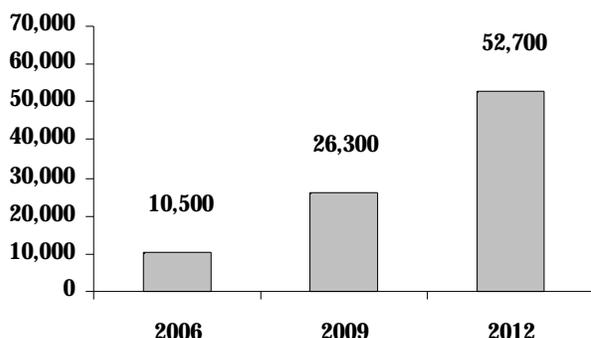
The actual results of the private sector investments for EDA’s FY 1998 investments, \$971 million, exceeded the projected target of \$130 million. Several anomalies of unusually large private investments account for much of the difference between the target of \$130 million for FY 2001 and the actual of \$971 million. The interim target was based on the anticipated results of the FY 1998 public works investments three years after investment award. The formula-driven calculation projects

investment data at three-, six-, and nine-year intervals from the investment award. The formula is based on a study done by Rutgers University, which compiled and analyzed the performance of EDA public works projects after nine years. Based on this formula, EDA estimated that 10% of the nine-year projection would be realized after three years, and 50% after six years.

A review of the actual results for these performance measures over the last two years shows that 20% of the projected private investment was realized within the first three years. Analyzing the two years of results, one of which includes several anomalies of unusually large private investment amounts, EDA adjusted the three-year target to 20%. EDA will continue to analyze actual private investment results to collect smooth trend data prior to modifying the target further. Actual results reported here reflect a 25% discount to provide a margin of attrition for the possible change in economic conditions over the nine-year period, pending final review and analysis of performance data reported by EDA grantees.

Measure 1b: Jobs Created or Retained in Distressed Communities as a Result of EDA Investments

(This measure has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This measure was previously worded as: "Number of permanent jobs created or retained in distressed communities")



Data Validation and Verification:

Data source: Investment Recipient performance reports
Frequency: At three-year intervals, typically three, six, and nine years after investment award
Data storage: EDA Management Information System
Verification: To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA will perform regional validation on-site visit with some recipients.
Data limitations: Universe - FY 1998 Regular Appropriation for Public Works and Development Facilities investments only. It may be more expensive to create or retain jobs during economic downturns because of fewer private sector investments; therefore, fewer jobs would be created or retained.
Actions to be taken: EDA will continue to monitor job creation data.

Targets are based on FY 2003 funding

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	5,040 by FY 2000	5,400 by FY 2001	11,300 by FY 2002	11,300 by FY 2003	14,400 by FY 2004	11,500 by FY 2005	10,500 by FY 2006
	25,200 by FY 2003	27,000 by FY 2004	28,400 by FY 2005	28,200 by FY 2006	36,000 by FY 2007	28,900 by FY 2008	26,300 by FY 2009
	50,400 by FY 2006	54,000 by FY 2007	56,900 by FY 2008	56,500 by FY 2009	72,000 by FY 2010	57,800 by FY 2011	52,700 by FY 2012
Actual				12,056 ¹	12,898 ²		
Met/Not Met				Met	Met		

- 1 Actual jobs—Performance exceeds FY 1997 projected target of 5,040 jobs by FY 2000 (snapshot of performance at first reporting interval for FY 1997 investments).
- 2 Actual jobs—Performance exceeds FY 1998 projected target of 5,400 jobs by FY 2001 (snapshot of performance at first reporting interval for FY 1998 investments).

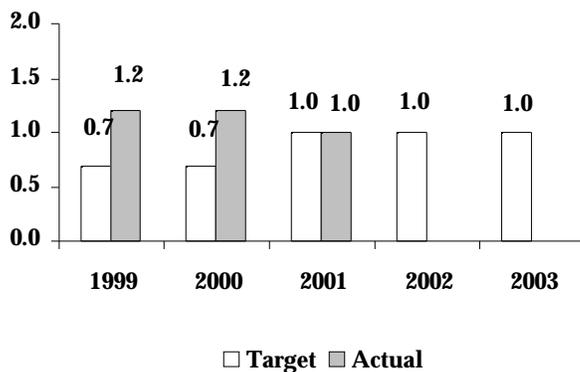
Explanation of Measure:

The actual job creation results for EDA’s FY 1998 investments, 12,898 jobs created, exceeded its target of 5,400. This interim target was based on the anticipated results of the FY 1998 public works investments three years after investment award. The formula-driven calculation projects job creation data at three-, six-, and nine-year intervals from the investment award. The formula is based on a study done by Rutgers University, which compiled and analyzed the performance of EDA public works projects after nine years. EDA estimated that 10% of the nine-year projection would be realized after three years, and 50% after six years.

A review of the actual results for this performance measure over the last two years shows that 20% of the projected jobs were realized within the first three years. Analyzing the two years of results, EDA adjusted the three-year target to 20%. EDA will continue to analyze actual job creation results to collect smooth trend data prior to modifying the target further. Actual results reported here reflect a 25% discount to provide a margin of attrition for the gradual, natural reduction of personnel, pending final review and analysis of performance data reported by EDA grantees.

FY 1997 and 1998 data included both direct and indirect jobs for EDA public works projects. In response to comments from GAO, job targets were adjusted to exclude indirect jobs. This downward adjustment was offset when EDA set job targets to include economic adjustment construction and revolving loan fund projects. Because the requested budgets for public works and economic adjustment programs remained the same in FY 2002 and 2003, the impact of the current economic contraction remains unknown, and GAO’s recommendation to include direct jobs only, the targets will remain the same.

Measure 1c: State and Local Dollars Committed per EDA Dollar



Data Validation and Verification:

Data source: Investment Recipient applications and progress reports
Frequency: At the time of award of investment and at project completion
Data storage: EDA Management Information System
Verification: EDA verifies nonfederal funds committed to projects prior to disbursement of investment funds.
Data limitations: Universe - FY 2001 Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Implementation, and Defense Economic Adjustment Implementation investments; the match rate may decrease in cases of severe distress while eligible areas increase during economic downturns.
Actions to be taken: Continue monitoring state and local investment data.

		FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	State and Local Dollars/EDA Dollar	\$1 - \$0.7	\$1 - \$0.7	\$1 - \$1	\$1 - \$1	\$1 - \$1
Actual ¹	State and Local Dollars/EDA Dollar	\$1 - \$1.2	\$1 - \$1.2	\$1 - \$1		
Met/Not Met		Met	Met	Met		

1 Due to limitations in EDA's operational planning and control system, actuals may include some projects funded under emergency supplemental appropriations.

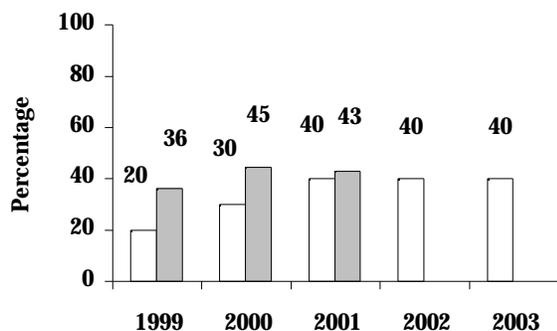
Explanation of Measure

EDA's economic adjustment program assists those communities that experience sudden and severe economic distress and qualify for higher grant rates. Both EDA's public works and defense investments met the 1 to 1 ratio of state and local dollars; the economic adjustment program with its higher grant rates did not. The ratio of state and local dollars committed per FY 2001 EDA dollar was 1 to 1. EDA will continue to collect multi-year data on this measure to analyze any trends to determine adjustments to the target as sufficient data become available.

Original targets for this measure were based on program evaluations (Rutgers et al. 1997), which found that construction projects funded under the section 201 Public Works Program had an EDA share of 53.6% and that projects funded under the section 209 Economic Adjustment Program had a median EDA share of 75% (reflecting different grant rate requirements for these programs under prior legislation). After reviewing the findings from both studies during FY 1998, EDA determined that an EDA share of 60% was a reasonable estimate for the combined program activities. With the enactment of the Economic Development Administration Reform Act of 1998, EDA issued new regulations during FY 1999, increasing requirements for nonfederal funding to 50% of total project costs, except for areas of high distress, which qualify for higher EDA grant rates.

Targets for the ratio of state and local dollars to federal dollars remain constant after FY 2001 for two reasons. First, statutory requirements regarding the community's matching funds changed from 60-80% to 50% in FY 1999. Second, external factors such as economic downturns increase the number of areas eligible for higher grant rates and decrease the availability of state and local dollars in distressed communities. Areas of severe economic distress can qualify for higher grant rates, which can lower the average.

Measure 1d: Percentage of Investments to Areas of Highest Distress



Data Validation and Verification:

Data source: Investment Recipient applications
Frequency: Ongoing
Data storage: EDA Management Information System
Verification: EDA samples projects periodically to ensure accurate project location codes. Statistical data is based on the Bureau of Labor Statistics' current 24-month unemployment data and most current Bureau of Economic Analysis per capita income data.
Data limitations: Universe - FY 2001 Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Implementation, and Defense Economic Adjustment Implementation investments; the number of highest distressed areas will increase during economic downturns and decrease during economic expansions.
Actions to be taken: Determine appropriate investment portfolio mix for EDA's limited resources and continue to monitor results.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	20%	30%	40%	40%	40%
Actual ¹	36%	45%	43 %		
Met/Not Met	Met	Met	Met		

1 Due to limitations in EDA's operational planning and control system, actuals include some projects funded under supplemental appropriations.

Explanation of Measure

Actual performance exceeds the FY 2001 target. EDA actively encourages proposals from areas of highest distress, and directs program and staff resources to assist these communities in developing viable proposals and plans for successful investments. Highest distress areas are defined as those areas where the 24-month unemployment rate is at least 180% of the national average, or where the per capita income is not more than 60% of the national average. EDA investments in areas of highest distress have surpassed the performance target for two consecutive years following implementation of the Economic Development Reform Act of 1998.

The FY 2002 target remains the same for several reasons. First, the impact of the current economic contraction is unknown. Second, EDA is in the process of determining an optimum investment portfolio mix, which is critical to the overall impact of EDA's limited resources. While EDA's assistance is available to many communities across the nation, targeting more than 40% to a specific category of applicants significantly reduces the ability of other deserving grantees to compete for assistance.

Measure 1e: Percentage of EDA Dollars Invested in Technology-related Projects in Distressed Areas

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	10%	10%
Actual					
Met/Not Met					

Data Validation and Verification:

Data source: Investments that are specifically identified and coded in EDA's Management Information System

Data storage: EDA Management Information System

Verification: Testing performance projections, providing training, and improving reporting.

Data limitations: Universe - Investments from all EDA funding sources that are direct investments in technology-related construction or acquisition, or investments related to expanding the technology potential of companies, communities, or areas; EDA investments are dependent on the type of opportunities communities present.

Actions to be taken: EDA will continue to monitor and develop trend data.

Explanation of Measure

EDA programs provide support for the efforts of the nation's distressed communities to become competitive in the new global economy. By supporting technology-based economic development, EDA offers those parts of America that have lagged behind the opportunity to become leaders in the new economy. The new measure supports increased investment in technology-led economic development to provide better jobs and opportunities for growth in distressed communities. EDA already supports local and state initiatives to upgrade infrastructure, telecommunications, and technology-transfer facilities to support existing firms and new enterprise development. EDA also encourages greater participation by universities, community colleges, and business organizations to

ensure that local firms and communities benefit from new information technologies, manufacturing processes, and applied research and development in environmental and life sciences. EDA will analyze recent investments to determine the baseline and establish appropriate targets for FY 2002. A task force researched EDA investments and other federal assistance available to support technology-led economic development in distressed areas.

EDA Program Evaluations—Performance Goal 1: Create Private Enterprise and Jobs in Economically Distressed Communities

EDA uses program evaluations to develop valid performance measures and provide a more complete understanding of overall program performance. Systematic program evaluations also allow EDA to verify results and continue to improve program performance. A research team led by Rutgers University that included the New Jersey Institute of Technology, Columbia University, Princeton University, the National Association of Regional Councils, and the University of Cincinnati undertook evaluations of the EDA public works investments, economic adjustment construction, and revolving loan fund projects identified below.

Evaluations completed:

Public Works Program: Performance Evaluation (Rutgers University et al. 1997)

- Every \$1 million in EDA funding leveraged \$10.08 million in private sector investment, increased the local tax base by \$10.3 million, and created 327 jobs; the number of jobs doubled in the six years after project completion.

Defense Economic Adjustment Program: Performance Evaluation (Rutgers University et al. 1997)

- Of the projects, 97% of construction, 98% of capacity-building, and 100% of revolving loan funds moved to completion; 90% of construction, 97% of capacity –building, and 100% of completed revolving loan fund projects were completed at or under budget; fully loaned revolving loan funds created jobs at an EDA cost of \$3,312 per job.

Public Works Program: Multiplier and Employment-Generating Effects (Rutgers University et al. 1998)

- Using input-output analysis, EDA public works program investments have a job multiplier effect of 1.5, that is, the creation of every two EDA-funded direct jobs created a third job. The EDA public works program investments also have a private-sector investment multiplier of 1.44, which means that every two direct private-sector investment dollars attracted nearly a third private-sector investment dollar.

EDA GPRA Pilot I: Construction Projects (Rutgers University et al. 1999)

- This research reports the evaluation of a sample of EDA construction projects completed in FY 1993; it compared this sample with other projects previously evaluated to validate EDA's performance measures for construction projects.

EDA GPRA Pilot II: Revolving Loan Fund Projects (Rutgers University et al. 1999)

- This research reports the evaluation of a sample of EDA revolving loan fund projects funded in FY 1993. It compared this sample with other projects previously evaluated to validate EDA's performance measures for revolving loan fund projects.

Evaluations underway:

Revolving Loan Fund Program Evaluation (Rutgers University et al.), scheduled for completion in 2002.

Our goal is to evaluate major program activities on a regular basis as resources permit.

Discontinued Measures

Reduce Application-processing Times

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target (Days)	Adjusted Baseline FY 1998 and FY 1999 Average 79.5 Median Days	74.7	68.1	Discontinued	Discontinued
Actual (Days)		72.5	82		
Met/Not Met		Met	Not Met		

Data Validation and Verification:

Data source: Regional offices input the dates that completed applications are numbered in the Management Information System; Headquarters inputs final decision dates.

Frequency: Ongoing

Data storage: EDA Management Information System

Verification: EDA conducts periodic reviews of project processing and data entry by EDA staff, including spot checks of source documents.

Data limitations: Universe - EDA Regular, Supplemental, and Disaster Appropriation investments; Processing time increases due to delays related to continuing resolutions.

Actions to be taken: EDA will continue to monitor this measure as part of the balanced scorecard and ensure the bureau's commitment to quality service.

Explanation of Measure

This measure will be discontinued in FY 2002. In response to GAO's 1999 recommendations, EDA developed a set of interim and process measures that could provide reportable performance data pending the receipt of the long-term results on private investment and job creation of EDA grant awards. EDA is now reporting on those long-term results. Although they are not indicative of EDA's program outcomes, EDA will continue to monitor this measure internally in order to track this as part of the balanced scorecard and ensure the bureau's commitment to quality customer service.

Due to the unavailability of funding, EDA was unable to obligate funds in a timely fashion and meet the target of 68.1 processing days.

Cross-cutting Activities

Intra-Department of Commerce

EDA collaborates with the following Department of Commerce bureaus on cross-cutting initiatives:

- National Oceanic and Atmospheric Administration (NOAA)—Strategies to promote sustainable development, disaster reduction, protection of natural resources, and the development of eco-industrial parks

- National Institute of Standards and Technology (NIST)—Technology deployment and assistance to small manufacturers in economically distressed areas
- National Telecommunications and Information Administration (NTIA)—Strategies to upgrade telecommunications infrastructure in distressed rural and urban communities
- Minority Business Development Agency (MBDA)—Increased support for minority business development and entrepreneurship and for minority-serving institutions.

Other Government Agencies

EDA builds effective partnerships with federal, state, and local entities on program delivery and information dissemination. At the federal level, major partners include:

- Federal Emergency Management Agency (FEMA)—Early response, coordination, assessment, mitigation, and economic recovery efforts following major disasters
- Environmental Protection Agency (EPA)—Strategies to redevelop brownfields and improve air quality in ways that benefit economically distressed communities
- Department of Defense Office of Economic Adjustment (OEA)—Economic adjustment strategies and investments for base reuse and communities affected by Base Realignment and Closure Commission (BRAC) decisions.
- Department of Energy (DOE)—Economic adjustment assistance to communities affected by closures of federal energy labs and facilities
- Appalachian Regional Commission (ARC)—Community and economic development assistance for economically distressed areas in the 13-state Appalachian region
- Department of Agriculture (USDA), Rural Development/Rural Utilities (RD/RU)—Infrastructure and business financing for enterprise development in rural areas
- Department of Transportation (DOT)—Improvements to highway, port, rail, and airport facilities to support private investment in distressed communities
- Department of Housing and Urban Development (HUD)—Coordination of Community Development Block Grants (CDBG) funds for economic development at the state and local levels; support for Empowerment Zones, Enterprise Communities, and Renewal Communities.

Government/Private Sector

EDA reviewed interagency agreements and supported GAO's review of cross-cutting federal programs for state and local economic development projects. EDA will provide leadership to improve federal assistance for economic development programs in distressed communities.

External Factors and Mitigation Strategies

GAO has recognized that measuring the performance of economic development programs is difficult because of the many external factors that can influence local economies. To ensure strong program performance, EDA targets assistance to projects that can provide direct and lasting benefits to economically distressed communities. EDA programs are not intended to work alone, but to increase the availability of outside capital (both public and private) for sustainable development strategies to create and retain private enterprise and jobs in economically distressed areas. In doing so, EDA recognizes that many factors can influence the level of distress, rate of investment and job creation or retention, and the availability of other public funding and private entities. For example:

- National or regional economic trends, such as slowdowns in the national economy, can cause firms to delay or postpone investments in new products, markets, plants, equipment, and workforce development. Such trends can affect the rate at which jobs are created or retained.

- Changes in business climate and financial markets can impact the level of private capital and degree of risk associated with investment decisions, particularly for firms considering establishing or expanding operations in highly distressed areas.
- Downturns in the national or regional economy can increase the demand for EDA assistance and reduce the availability of state and local funding. EDA regulations provide for waivers or reductions of the nonfederal share, allowing EDA to cover a higher share of total project costs depending on the level of distress demonstrated by the local community.
- Natural disasters and other major events can dramatically impact local economies and create an unanticipated demand for EDA assistance. This can affect performance in several ways, increasing the number of areas that are eligible for assistance and the number of areas in highest distress. Such emergencies can alter funding priorities under regular EDA programs and at times result in emergency supplemental funding. The impact on regular program assistance is more apparent when supplemental funding is delayed or unavailable.

Mitigation Strategies Include:

- Strengthening local, state, and sub-state partnerships to assess and respond to long-term economic trends, sudden and severe dislocations, emergencies, and other unanticipated impacts on local economic conditions
- Establishing flexible program and funding authorities that respond to local priorities
- Developing effective partnerships with other federal agencies to improve assistance for distressed communities
- Working directly with distressed communities, through experienced field staff and with state and local officials to achieve long-term development objectives and address sudden and severe economic dislocations.

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

(This goal has been reworded since the publication of the FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan. This goal was previously worded as: "Build Local Capacity to Achieve and Sustain Economic Growth")

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably

Rationale for Performance Goal

Powerful economic forces are at work today and will grow stronger in the years to come. Organizations will be pushed to reduce costs, improve quality of products and services, and increase productivity. Although, adjustment to changing conditions and requirements is painful, the Economic Development Administration (EDA) is nonetheless committed to it. EDA is creating a new, stronger organization that will provide practitioners with a one-stop source for information and professional development.

EDA is proud of its active partnership with its economic development partners at the state, regional, and local levels. The partnership approach to economic development is key to effectively and efficiently addressing the economic development challenges facing our nation's communities.

EDA must continue to build upon its partnerships with local development officials; Economic Development Districts; University Centers; faith-based and community-based organizations; and other local, state, and federal agencies. But more importantly, EDA will forge new and strategic working partnerships with private capital markets and look for new and innovative ways to spur economic development.

Economic development is a local process, however, the federal government plays an important role by helping distressed communities build capacity to identify and overcome barriers that inhibit economic growth. EDA's approach is to support local planning and long-term partnerships with state and regional organizations that can assist distressed communities with strategic planning and investment activities. This process helps local communities set priorities, determine the viability of projects, and leverage outside resources to improve the local economy and sustain long-term economic growth.

EDA planning funds support the preparation of Comprehensive Economic Development Strategies, which guide EDA investments for public works and economic adjustment implementation investments, including revolving loan funds. Sound local planning also attracts other federal, state, and local funds plus private sector investments to implement long-term development strategies. Evaluations of EDA's public works and defense adjustment programs show that EDA planning and technical assistance programs play a significant role in the successful completion and outcomes of its infrastructure and revolving loan fund projects.

Measure 2a: Percentage of Economic Development Districts and Indian Tribes Implementing Economic Development Projects from the Comprehensive Economic Development Strategy Process that Lead to Private Investment and Jobs

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	New	TBD ¹
Actual					
Met/Not Met					

1 EDA will establish targets in FY 2003 upon completion of the baseline analyses of FY 2002 data for these measures at the end of 2003.

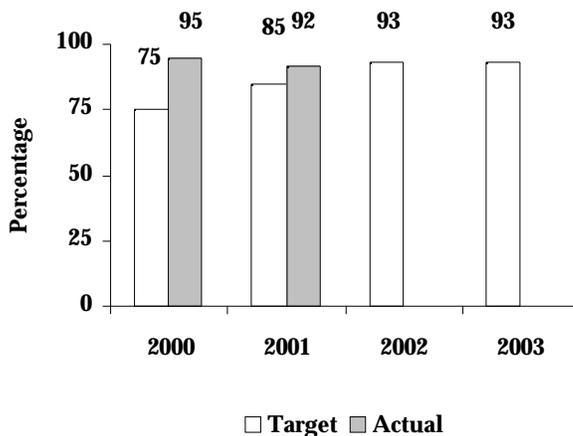
Data Validation and Verification:

Data source: Investment Recipient Performance Evaluations and Comprehensive Economic Development Strategy
Frequency: Annually
Data storage: EDA Management Information System
Verification: EDA will conduct periodic performance reviews and site visits.
Data limitations: Universe - EDA Partnership Planning investments only. This measure may vary with economic cycles due to limited local resources during downturns for project investments.
Actions to be taken: Baseline to be established from FY 2002 data. Target to be established in first quarter of FY 2003.

Explanation of Measure

This measure will determine if the Comprehensive Economic Development Strategy process is market-based, and if EDA is creating an environment conducive to higher-skill, higher-wage jobs. Research conducted on FY 2001 and FY 2002 data will establish a baseline for the FY 2003 target. The Comprehensive Economic Development Strategy is a plan that emerges from a broad-based, continual planning process that addresses economic strengths and weaknesses, and opportunities and threats posed by external trends and forces, as well as partners and resources for development.

Measure 2b: Percentage of Sub-state Jurisdiction Members Actively Participating in the Economic Development District Program



Data Validation and Verification:

Data source: Investment Recipient Performance Evaluations
Frequency: Annually
Data storage: EDA Management Information System
Verification: EDA conducts performance reviews and site visits on approximately one-third of the District and Indian Tribe investments per year.
Data limitations: Universe - EDA Partnership Planning investments only. This measure shows the value-add of the Economic Development Districts in which EDA invests. While an Economic Development District may be effective, members still may not participate for other reasons.
Actions to be taken: EDA will continue to monitor compliance with the new definition of sub-state member jurisdictions.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	EDA Developed the Plan for Evaluating Economic Development District Performance	75%	85%	93%	93%
Actual		95%	92%		
Met/Not Met		Met	Met		

Explanation of Measure

The target established for FY 2001 was that 85% of all member jurisdictions of Economic Development District organizations would actively participate in the Economic Development District program. Active participation was defined as either attendance at meetings or financial support of the Economic Development District during the reporting period. Under EDA's new legislation, participation of member jurisdictions in the Economic Development District was reduced from 75% to more than 50% for district designation purposes. Economic Development Districts generally consist of three or more counties that are considered member jurisdictions.

In FY 01, EDA revised the definition of sub-state jurisdiction members as follows:

“Sub-state jurisdiction members are independent units of government (cities, towns, villages, counties, etc.) and eligible entities substantially associated with economic development, as set forth by the district’s by-laws or alternate enabling document.”

Based on the data collected to date for this measure, the target will increase to 93%. EDA will continue to analyze trend data for further refinement.

Measure 2c: Percentage of University Center Clients Taking Action as a Result of the Assistance Facilitated by the University Center

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	New	TBD ¹
Actual					
Met/Not Met					

1 EDA will establish targets in FY 2003 upon completion of the baseline analyses of FY 2002 data for these measures at the end of 2003.

Data Validation and Verification:

Data source: University Center client profiles

Frequency: Annually

Data storage: EDA Management Information System

Verification: Performance data will be verified by the University Centers. EDA headquarters will annually review profile data.

Data limitations: EDA Local Technical Assistance investments. This measures the value of the University Centers; however, while the assistance may be valued, clients may choose not to act for other reasons.

Actions to be taken: Baseline to be established from FY 2002 data. Target to be established in first quarter of FY 2003.

Explanation of Measure

This is a new measure that will replace a previous measure that focused on the assistance facilitated by University Centers. EDA funds 69 University Centers that provide technical assistance and specialized services (for example, feasibility studies, marketing research, economic analysis,

environmental services, and technology transfer) to local officials and communities. This assistance enhances the community’s capacity to plan and manage successful development projects. The new measure will determine the perceived value-add of the University Centers to their clients. University Centers will develop client profiles and report findings to EDA, which will evaluate the performance of each center once every three years and verify the data.

Taking action as a result of the assistance facilitated means to implement an aspect of the technical assistance provided by the University Center in one or several areas: economic development initiatives and training session development; linkages to crucial resources; economic development planning; project management; community investment package development; geographic information system services; strategic partnering to public- or private-sector entities; increased organizational capacity; feasibility plans; marketing studies; technology transfer; new company, product, or patent developed; and other services.

Measure 2d: Percentage of Those Actions Taken by University Center Clients that Achieved the Expected Results.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	New	TBD ¹
Actual					
Met/Not Met					

1 EDA will establish targets in FY 2003 upon completion of the baseline analyses of FY 2002 data for these measures at the end of 2003.

Data Validation and Verification:

Data source: University Center client profiles

Frequency: Annually

Data storage: EDA Management Information System

Verification: Performance data will be verified by the University Centers. EDA headquarters will annually review data.

Data limitations: Universe - EDA Local Technical Assistance investments only. Outside mitigating factors such as the local economy may affect the measure.

Actions to be taken: Baseline to be established from FY 2002 data. Target to be established in first quarter of FY 2003.

Explanation of Measure

This is a new measure that is a follow-up to the measure, “Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center.” It will further define the relevance of the assistance facilitated by the University Centers. EDA-funded University Centers provide technical assistance and specialized services (for example, feasibility studies, marketing research, economic analysis, environmental services, and technology transfer) to local officials and communities. This assistance enhances the community’s capacity to plan and manage successful development projects. This new measure will determine if the assistance provided by the University Center is market-based. University Centers will develop client profiles and report findings to EDA, which will evaluate the performance of each center once every three years and verify the data.

Measure 2e: Percentage of Trade Adjustment Assistance Center Clients Taking Action as a Result of the Assistance Facilitated by the Trade Adjustment Assistance Center

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	New	TBD ¹
Actual					
Met/Not Met					

1 EDA will establish targets in FY 2003 upon completion of the baseline analyses of FY 2002 data for these measures at the end of 2003.

Data Validation and Verification:

Data source: Trade Adjustment Assistance Center client profiles

Frequency: Annual

Data storage: EDA Management Information System

Verification: Performance data will be verified for the Trade Adjustment Assistance Centers. EDA headquarters will annually review data.

Data limitations: Universe - EDA Trade Adjustment Assistance investments only. Outside mitigating factors such as the local economy may affect the measure.

Actions to be taken: Baseline to be established from FY 2002 data. Target to be established in first quarter of FY 2003

Explanation of Measure

This is a new measure that will replace a previous measure that focused on the assistance facilitated by Trade Adjustment Assistance Centers. Twelve EDA-funded Trade Adjustment Assistance Centers work jointly with U.S. firms and industries that have been adversely impacted as a result of trade agreements to identify and define specific actions to improve each firm’s competitive position in world markets. The new measure will determine the value-add of the funded Trade Adjustment Assistance Centers to its clients. These centers develop client profiles and report findings to EDA, which will review the profiles to verify data as part of periodic site visits to monitor and evaluate each center’s performance.

“Taking action as a result of the assistance facilitated” means to implement an aspect of the trade adjustment assistance provided by the Trade Adjustment Assistance Centers. The Trade Adjustment Assistance Centers provide three main types of assistance to firms: help in preparing petitions for certification (which must be approved by EDA), analysis of the firm’s strengths and weaknesses and development of an adjustment strategy, and in-depth assistance for implementation of the strategy.

Measure 2f: Percentage of Those Actions Taken by Trade Adjustment Assistance Center Clients that Achieved the Expected Results

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	New	TBD ¹
Actual					
Met/Not Met					

1 EDA will establish targets in FY 2003 upon completion of the baseline analyses of FY 2002 data for these measures at the end of 2003.

Data Validation and Verification:

Data source: Trade Adjustment Assistance Center client reports

Frequency: Annual

Data storage: EDA Management Information System

Verification: Performance data will be verified by the Trade Adjustment Assistance Centers. EDA headquarters will annually review data.

Data limitations: Universe - EDA Trade Adjustment Assistance investments only. Outside mitigating factors such as the local economy may affect the measure.

Actions to be taken: Baseline to be established from FY 2002 data. Target to be established in first quarter of FY 2003.

Explanation of Measure

This is a new measure that is a follow-up to the “Percentage of Trade Adjustment Assistance Center clients taking action as a result of the assistance facilitated by the Trade Adjustment Assistance Center,” and it will further define the relevance of the assistance facilitated by the Trade Adjustment Assistance Centers. EDA-funded Trade Adjustment Assistance Centers work jointly with trade-impacted firms to identify and define actions to improve each firm’s competitive position in world markets. The new measure will determine if the assistance facilitated by the Trade Adjustment Assistance Centers is market-based. The centers will conduct client surveys and report findings to EDA.

Measure 2g: Percentage of Local Technical Assistance and Economic Adjustment Strategy Investments Awarded in Areas of Highest Distress

Data Validation and Verification:

Data source: Bureau of Labor Statistics current 24-month unemployment data and most current Bureau of Economic Analysis per capita income data

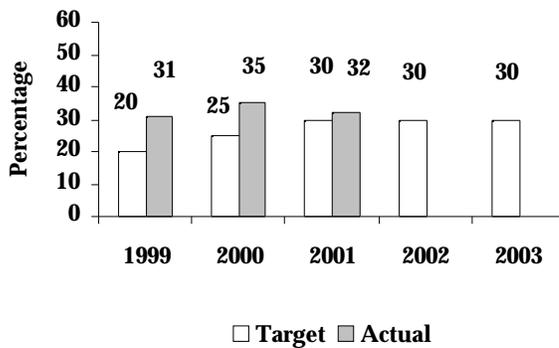
Frequency: Ongoing

Data storage: EDA Management Information System

Verification: EDA verifies data prior to grant approval.

Data limitations: Universe - EDA Local Technical Assistance and Economic Adjustment Strategy investments. The number of highly distressed areas will increase during economic downturns and decrease during economic expansions affecting EDA investments in these communities.

Actions to be taken: Determine appropriate investment portfolio mix for EDA’s limited resources and continue to monitor results.



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	20%	25%	30%	30%	30%
Actual	31%	35%	32%		
Met/Not Met	Met	Met	Met		

Explanation of Measure

Actual performance exceeded the FY 2001 target. Local technical assistance investments provide specialized technical or professional services to help local officials evaluate investment opportunities and solve complex development issues. Strategy investments help local communities adjust to sudden and severe economic dislocations and long-term declines that affect key sectors of the local economy. Areas of highest distress for this measure include areas where the 24-month unemployment rate is at least 180% of the national average and where per capita income is not more than 60% of the national average, as well as areas suffering from natural disasters or Indian Tribes.

The FY 2002 target remains the same for several reasons. First, the impact of the current economic contraction is unknown. Second, EDA in the process of determining an optimum investment portfolio mix, which is critical to the overall impact of EDA's limited resources. While EDA's assistance is available to many communities across the nation, targeting more than 30% to a specific category of applicants significantly reduces the ability of other deserving grantees to compete for assistance.

EDA Program Evaluations – Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

EDA uses program evaluations to develop valid performance measures and provide a more complete understanding of overall program performance. Systematic program evaluations also allow EDA to verify results and continue to improve program performance. Recent evaluations that involve EDA planning, technical assistance, and trade adjustment programs are identified below.

Evaluations completed:

Effective Aid to Trade-Impacted Manufacturers (Urban Institute 1998)

- EDA commissioned the Urban Institute in 1997 to evaluate the Trade Adjustment Assistance program. The Urban Institute's evaluation found statistically significant improvements in sales, employment, and survivability for firms assisted under the Trade Adjustment Assistance program when compared with firms that were certified as eligible, but did not receive implementation assistance.

Strategic Planning for Economic Development (Corporation for Enterprise Development et al. 1999)

- This evaluation of EDA's local planning program underscored the need for the continued active involvement of private and nonprofit sectors and all levels of government in regional economic development planning.

Evaluations underway:

- Evaluation of University Center program (Mt. Auburn Associates), scheduled completion in FY 2002
- Evaluation of Planning Program (Wayne State University), scheduled completion in FY 2002
- Evaluation of Revolving Loan Fund program (Rutgers University) includes impact of strategies that guide revolving loan fund investments, scheduled completion in FY 2002.

EDA's goal is to evaluate major program activities on a regular basis as resources permit.

Discontinued Measures

Percentage of Economic Development District and Indian Tribe Planning Grantees Whose Comprehensive Economic Development Strategy or Annual Progress Report is on Time and Acceptable

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	Developed and Tested Plan for Evaluating Economic Development District Performance	75%	60%	Discontinued	Discontinued
Actual		46%	88%		
Met/Not Met		Not Met	Met		

Data Validation and Verification:

Data source: Comprehensive Economic Development Strategy and annual progress reports

Frequency: Annually

Data Storage: EDA Management Information System

Verification: Approximately one-third of the EDA-funded Districts and Indian Tribes are evaluated each year.

Data limitations: Universe - EDA Partnership Planning investments only. EDA cannot control the quality or timing of the Comprehensive Economic Development Strategy developed by Economic Development Districts and Tribes.

Actions to be taken: EDA will continue to work with its partnership planning investment recipients.

Explanation of Measure

This measure will be discontinued in FY 2002. In a comprehensive review of EDA's performance measures, EDA determined this was not an effective outcome measure of the Economic Development Districts or the Indian Tribes performance. The measure did not track outcomes or indicate that the strategies were market-based, but rather tracked only the pro forma process. This target did not have a basis in any statutory requirement, as was the case with Districts' participating jurisdictions. EDA will continue to monitor this measure internally as part of the balanced scorecard.

In FY 2001, performance exceeded the target because of a concerted effort made by the regional offices to work with the grantees on the importance of receiving a timely and acceptable Comprehensive Economic Development Strategy.

Percentage of University Center Clients Rating Technical Assistance Received as a 7 or Better on a 1 to 10 scale (10 Is Best)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	Developed Plan for Evaluating University Centers	75%	75%	Discontinued	Discontinued
Actual		84%	90%		
Met/Not Met		Met	Met		

Data Validation and Verification:

Data source: Investment Recipient client survey and reports

Frequency: Annually

Data storage: EDA database

Verification: Performance data will be verified for one-third of the University Centers each year. EDA headquarters will annually review Management Information System data.

Data limitations: Universe - EDA Local Technical Assistance investments only

Actions to be taken: None

Explanation of Measure

This measure is being discontinued in FY 2002. In a comprehensive review of EDA's performance measures, EDA determined that the measure did not ascertain the value-add or if the assistance received was market-based.

In FY 2001, performance for FY 2001 exceeded the projected target.

Percentage of Trade Adjustment Assistance Center Clients Rating Assistance Received as a 7 or Better on a 1 to 10 scale (10 Is Best)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	Developed Plan for Data Collection	75%	85%	Discontinued	Discontinued
Actual		95%	97%		
Met/Not Met		Met	Met		

Data Validation and Verification:

Data source: Investment Recipient client survey and reports

Frequency: Annually

Data storage: EDA Management Information System

Verification: EDA will conduct periodic performance reviews and site visits to review and verify survey forms.

Data limitations: Universe - EDA Trade Adjustment Assistance investments only

Actions to be taken: None

Explanation of Measure

This measure is being discontinued in FY 2002. In a comprehensive review of EDA's performance measures, EDA determined that the measure did not ascertain the value-add or if the assistance received was market-based.

In FY 2001, performance for FY 2001 exceeded the projected target. EDA's efforts to reinforce the importance of the client surveys with the Trade Adjustment Assistance Centers have shown positive results.

Number of Research and National Technical Assistance Results Published or Presented Nationally Each Year

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	5	5	8	Discontinued	Discontinued
Actual	6	7	10		
Met/Not Met	Met	Met	Met		

Data Validation and Verification:

Data source: Investment Recipient reports
Frequency: Annual
Data storage: EDA project files
Verification: EDA verifies this measure by reviewing the publications and national presentations.
Data limitations: Universe - EDA National Research and Technical Assistance investments only.
Actions to be taken: EDA will continue to monitor its publications to ensure their impact to economic development community.

Explanation of Measure

This measure will be discontinued in FY 2002. Although performance for FY 2001 exceeded the target, EDA determined that the measure did not identify the impact or utility of the reports to the economic development community. The following ten reports were published or presented nationally in FY 2001.

- Building the Future - Stories of Successful Indian Enterprises (National Congress of American Indians 2001)*
- Competitive Regionalism: Beyond Individual Competition (University of Toledo 2000)*
- Eco-Industrial Development: A Strategy for Building Sustainable Communities (Cornell University 2001)*
- Knowledge Management as an Economic Development Strategy (Athena Alliance 2001)*
- New Growth Theory, Technology, and Learning: A Practitioner's Guide (Impresa, Inc. 2001)*
- Third-Tier Cities: Adjusting to the New Economy (Mt. Auburn Associates 2001)*
- Loan Sales and Securitization for Revolving Loan Funds (Commonwealth Development Associates 2001)*
- Securitization Project Final Report (Community Reinvestment Fund 2001)*
- EDA Secondary Market Demonstration Project for Revolving Loan Funds in Racine County, WI (Racine County Economic Development Corporation 2001)*
- EDA Secondary Market Demonstration Project for Revolving Loan Funds in South Dakota (South Dakota Rural Enterprise, Inc. 2001)*

Reducing Certification Processing Time for Trade-impacted Firms

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	Adjusted Baseline FY 1998 and FY 1999 Average 51.5 Median Days	49.4	47.4	Discontinued	Discontinued
Actual		48.0	50.8		
Met/Not Met		Met	Not Met		

Data Validation and Verification:

Data source: Planning and development assistance division database
Frequency: Annually
Adjusted Baseline: Average for FY 98 and 99 is 51.5 mean days
Data storage: EDA Management Information System
Verification: EDA will sample projects periodically to ensure accurate reporting.
Data limitations: Universe - EDA Trade Adjustment Assistance investments only. Measure is affected by the timeliness and completeness of information submitted by trade impacted firms.
Actions to be taken: EDA will continue to monitor these results as part of the balanced scorecard.

Explanation of Measure

This measure will be discontinued in FY 2002. In response to GAO's 1999 recommendations, EDA developed this interim and process measure to provide reportable performance data pending the receipt of the long-term results of EDA awards on private investment and job creation. This interim

process measure is an internal management issue, rather than an external outcome measure. EDA will continue to track this as part of the balanced scorecard.

EDA did not meet this performance target due to staff-related issues. Staff positions have been adjusted to assist with the certification processing.

Cross-cutting Activities

See Performance Goal 1

External Factors and Mitigation Strategies

See Performance Goal 1